

## TESTIMONY OF BONNE ANN MCHENRY

I, Bonne Ann McHenry, respectfully submit the following testimony on September 21, 2000, before the Senate Special Committee on Aging and the Senate Committee on Small Business.

I worked for Integrated Management Resources Group, Inc. (IMRG) as a Senior Pension Administrator for the Atlanta PBGC office. The Pension Benefit Guaranty Corporation awarded the Atlanta contract to Myrna Cooks of IMRG beginning October 1, 1998. This contract includes the administration of the Pan American World Airways pension plans and the implementation of the benefit amounts stated in the Initial Determination Letters sent to Participants by the PBGC. I began working for IMRG on October 1, 1998 and left in March of 2000. My testimony is based on my experiences and observations during this time. Since I was a member of the Pan American Co-operative Retirement Income Plan (Pan Am CRIP) team for most of this time, I would like to address the process, timeliness, and accuracy of the issuance of these Initial Determination Letters.

### THE PROCESS:

An Initial Determination Letter (IDL) is a communication to a Participant in a PBGC administered defined benefit pension plan that states the amount of his or her benefit at Normal Retirement Age. If the Participant is already receiving a pension, an IDL confirms or refutes the amount that is being paid. An IDL is the most important document that the Participant will receive from the PBGC, because a Participant who disagrees with PBGC's determination **cannot appeal** PBGC's decision until an IDL is issued. In other words, PBGC prevents Participants from appealing any disputed benefit amount by simply failing or refusing to issue an Initial Determination Letter. Those Participants who believe they are entitled to a higher benefit must put their financial future on hold because the major source of income from their pensions is uncertain. If a Participant does not response to his or her IDL within 45 days, the right to appeal is lost! The Pan American World Airways Co-operative Retirement Income Plan (CRIP) was frozen on 12/31/1983 and the company filed bankruptcy and this Plan was retroactively terminated on 07/31/1991.

### TIMELINESS:

In my view and based upon my experience, there was no justification for the delays in providing IDLs to the Pan Am Participants. When I began working at the Atlanta PBGC office - over seven years after PBGC assumed responsibility for this Plan - the majority of the 20,000 Participants in the CRIP Plan had not yet received an Initial Determination Letter. Yet I was able to look at a stand-alone PC screen, connected to the Pan Am database, and see the work and salary history, as well as the calculated accrued benefit/IDL information for most Pan Am employees. Neither PBGC nor IMRG expressed concern for the impact of their poor management on Participants. In my opinion, **it should not have taken PBGC so long to issue IDLs.**

### ACCURACY:

PBGC did not appear to take particular care with regard to accuracy. It did not make the best use of both Pan Am's records and its own technology. Although the calculations for those who were receiving benefits had already been scanned into the PBGC IPS system and could have been used to verify benefit amounts, options chosen, and spousal information, the PBGC sent out IDLs with incorrect benefit amounts, inaccurate options chosen, wrong name or "UNKNOWN" for spouse's name. IDLs were issued with incorrect social security numbers. IDLs were sent to former Pan Am employees who are already being paid by CIGNA, Prudential, or Johnson Controls. IDLs were sent to people who had never worked

for Pan Am. Letters were sent to retirees with the language, **"due to unresolved issues we cannot determine the amount of your benefit at this time"**.

When the PBGC office in Washington issued these IDLs in batches, it used its automated letter system called ALG. As a result, there were spelling and grammar mistakes and dates in fields where benefit amounts should be and vice versa. In every instance where I talked to someone who had received one of the above letters, I could almost always verify what the correct information should have been, using the records that had been imaged or the Pan Am database.

Participants who elected the Level Income Option, which drops down at the Social Security Retirement Age of 65, were incorrectly paid the same initial amount long after age 65, leading them to believe they were entitled to this amount. Then they were given IDLs which "recouped" this overpayment, leaving them with little or no pension. Others were put into pay by PBGC with "estimated" benefits and then told to repay the difference when they were issued their IDLs for lower amounts. In my experience there were **far too many mistakes**.

IDLs were not sent to all Participants who have a Lump Sum Cash Out value between \$3,500 and \$5,000; notifying them that these funds are eligible to be rolled-over into Individual Retirement Accounts. There are probably thousands of these Participants. I could look them up on the PBGC database under their respective CRIP groups: IUFA - Flight Attendants; TWU -Mechanics; IBT - Teamsters; and Management. Those who called in were given IDLs and Lump Sums on a case-by-case basis. **There were thousands of IDLs omitted.**

PBGC sent Participants IDLs that give them only 45.2% of their benefits at age 55 (or 50 if they were a Flight Attendant). This caused concern among the Atlanta administrators because we were given plan documents and IUFA, TWU, and IBT pamphlets that stated that the Pan Am early retirement percentage was 79% for those who met certain service requirements. Participants who lost this additional 33.8% of their benefit were extremely upset. I could not get an explanation for this discrepancy between Pan Am policy and PBGC practice. A benefit of \$300.00 a month was reduced by PBGC to only \$135.60 a month instead of the \$237.00 a month that would have been paid by Pan Am.

I believe that those who met the Pan Am service requirements should have received 79% of their benefit at early retirement.

Since Pan Am employees who were hired after 12/31/1983 were not eligible for any pension benefit, their records should have been deleted from the IDL database. These extraneous records triggered error messages on reports and were of no use other than to confuse the process.

As you can imagine, the incorrect IDLs generated an extremely high volume of calls. Those of us, who tried to answer questions about these letters, often could not even view a copy of what had been sent. Batches of these IDLs disappeared and were not scanned. No record exists except for the mailed original. In my opinion, **PBGC issued IDLs, regardless of quality, solely to meet the Court-ordered deadline.**

#### **THE ROLE OF THE ATLANTA OFFICE:**

The role of the Atlanta Office with regard to the Pan Am CRIP plan was to take calls that were transferred from the Customer Service Center in Washington. The letters of the Participants' last names were assigned among the administrators. These employees would respond to calls by answering benefit questions, sending out tax withholding forms, electronic direct deposit forms, or benefit estimates and

applications for retirement. Administrators also responded to mail and processed retirement applications. In addition, employees assisted in researching eligibility for those not already on our data system. Administrators corrected ILDs and answered Appeals that questioned calculations.

## THE CONTRACTOR:

IMRG was **not prepared** to manage payroll, benefits, the screening of candidates for employment or the training of existing employees in a reliable or responsible manner. I saw Myrna Cooks "on site" only twice in a year and a half. In my experience, she did not show any knowledge of or concern for either her employees or the work in progress. There were late and/or incorrect paychecks. After establishing paydays on the 15th and 30th (with one week of salary withheld) IMRG announced that it needed to withhold an additional week of earnings. Paydays were then rearranged to accommodate this plan. Those employees who had due dates for rent, mortgage, car payments, utilities, etc. experienced personal hardships. (There was only one payday in September of 1999.) Myrna did not return our phone calls or respond to our e-mails. She kept more than twenty percent of the hourly wage she was receiving from PBGC. When I began work on the first day of Myrna's Contract, I was the only "new" employee. The rest of the office had been employed by Office Specialists and continued with IMRG. Some of these employees had their hourly wages reduced by IMRG. I was paid only 62.5% of the hourly rate I was promised by IMRG when I agreed to have my credentials included in the IMRG Contract Proposal. I was told to "take it or leave it". Positions remained unfilled for long periods of time. When the Pan Am CRIP Manager resigned, her position remained unfilled for months. Although the Contract called for 60+ employees, there were never more than 43. The turnover rate was about 25%. Employees were not given their reviews for the first year of their employment until months after that contract year ended. I received a 70 cent raise.

The office hours were from 7 AM until 5:15 PM. Employees could arrive between 7 and 8:30 and work 8 hours - plus 45 minutes for lunch. Overtime was very difficult to obtain even though the need for it was apparent. I often worked many more hours than I was paid in order to be sure that Participants who had applied for their pensions were paid as soon as possible. I was asked to change my time on the time sheets to comply with the eight hours a day allowed. I was discouraged from working additional hours. Later, Francis Emmanuel, the Manager, stated that we were prohibited from being in the office unless a Supervisor was present.

However, the office rules did not apply to everyone. Shawn Simpson-Oates, the Assistant Manager in charge of personnel, was generally not in the office before 9:30 or 10 AM. She also left early on many occasions. I was told that she was pursuing a career in real estate even when in the office. When I showed my supervisor evidence that an employee was not processing applications for **months after they were received**, she shrugged her shoulders. I asked if I could bring this to the attention of Shawn Simpson-Oates. Shawn responded with comments like: "How dare you criticize another employee when you've worked here for such a short time. You're not a manager." Both Francis and Shawn told me, "It's none of your business!" Since this employee was frequently away from her desk, her understandably upset customers were transferred to me. The instances of this were so numerous and occurred over such a long period of time that it became just another management issue that was ignored. I was amazed by the lack of responsiveness to problems that needed to be resolved. **There was no leadership! IMRG's management had no interest in insuring that the work was completed in a timely and competent manner!**

The only real concern of management was that they not be embarrassed. The only reason that employees were ever disciplined was that they "rocked the boat". The result of speaking out and challenging the way things were done - **or not done** - was a note of reprimand in one's file. Generally the note was regarding something one had done that could be interpreted as "insubordination"; but in reality even the

innocent complaint was deemed such an act. This management technique was used to threaten or intimidate employees and perpetuate an atmosphere of fear and distrust. Francis and Shawn reprimanded messengers so many times that employees stopped communicating problems to them.

Finally the working conditions became so bad that the employees banded together and sent an e-mail to David Strauss, the Executive Director of PBGC. We tried to address the work-related issues as well as the low morale.

Barbara Mitchell was asked to send this compilation of our grievances because we felt that she would not be retaliated against. Barbara, herself a retiree from Pan Am, was an extremely knowledgeable and hard-working employee. She had worked for Office Specialists since 1992. Barbara and I both spoke to Joe Grant on the phone. When David Strauss, Joe Grant, and Bennie Hagans came to Atlanta and met with the Pan Am CRIP team, there was an emphasis on open communication and bringing forward problems and issues. Administrators were then told by Bennie Hagans and Francis (after David Strauss and Joe Grant had left) that all communications with Washington had to go through the Atlanta management. **Employees were forbidden to communicate with PBGC directly** or bring up issues at the weekly video-conferences without prior clearance from Atlanta managers. This was a "gag" order. When Barbara expressed concern that she would be fired for being the spokesperson and telling what she knew, Joe Grant assured her that this would not happen. Barbara was fired shortly afterwards on November 8, 1999. She has been seeking redress from the Inspector General's office since this time and **has heard no decision.**

IMRG did not provide a defined benefit pension plan for its employees. There was a 401(k) plan for employee contributions only. I find it disheartening that David Strauss gives talks around our nation, promoting defined benefit plans and then PBGC gives a contract to IMRG, which has none. This means that contract employees who are poorly and inconsistently paid, not well trained, and have no pension plan are expected to give Good Customer Service to those who do. I believe that PBGC knows how poorly the Atlanta office is run and that thousands, if not millions of dollars have been wasted as a result of not confronting the poor management that exists.

**In my opinion pensioners of bankrupt companies should not be caught between an inefficient, incompetent bureaucracy and an inferior, covetous contractor!**